

## **FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle City Light	Paula Laschober 684-3168	Gregory Shiring 386-4085

**Legislation Title:**

AN ORDINANCE relating to the City Light Department; removing the Department's requirement for a letter of credit or cash deposit for major new or enlarged services; and repealing Seattle Municipal Code Section 21.49.110.X in connection therewith.

**Summary of the Legislation:**

City Light Department will repeal SMC 21.49.110 (X), which requires a letter of credit or cash deposit to accompany any requested new or enlarged service. Replacing this requirement is a new amp fee installation charge, which will be required of any new or temporary service greater than 200 amps, per departmental policies and procedures DPP 500 P III-417, Schedule 100, and DPP 500 P III-417, Schedule 101 and.

**Background:**

SMC 21.49.110 (X), enacted by Ordinance 122282 in November of 2006, requires developers of new or enlarged Large or High Demand-sized services to provide the Department with a letter of credit or cash deposit in an amount equal to material and labor costs of transformers and associated equipment. Only if the customer uses 80% of the installed capacity within three years is the letter of credit cancelled or cash deposit returned.

Problems with the current requirement include:

1. Changes in credit markets have reduced liquidity, making a letter of credit more costly. Further, the requirement is unpopular with developers since the cost cannot be passed on to purchasers/tenants.
2. Developers also state that the all-or-nothing nature of the 80% threshold is unnecessarily punitive.
3. Tracking whether or not the condition is met across three years has proved to be onerous for both City Light and the customer.
4. The requirement may encourage false loading (wastefully running up energy use) to achieve the consumption requirement required for deposit return.

City Light proposes to repeal SMC subsection 21.49.110 (X) and replace the letter of credit /cash deposit requirement for new and enlarged services with a new amp fee installation charge. Like the deposit requirement, the new amp fee incentivizes customers to install only the size of service they truly need, which helps City Light minimize the cost of distribution system expansions over the long-term, while avoiding the risk of stranded investment. This minor upfront fee is simple, fair and avoids the drawbacks of the current requirement.

Please check one of the following:

☐ This legislation does not have any financial implications.

☒ This legislation has financial implications.

**Appropriations: N/A**

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
<b>TOTAL</b>				

\*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes:

**Anticipated Revenue/Reimbursement Resulting (indirectly) from this Legislation:**

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
Light Fund (41000)	City Light	Amp Fee	\$500,000	\$1,000,000
<b>TOTAL</b>			<b>\$500,000</b>	<b>\$1,000,000</b>

Revenue/Reimbursement Notes:

Anticipated revenues of approximately \$1M per calendar year are based on 2012 installation data. Actual revenues could vary greatly depending on the number of requested new installations. The Amp Fee revenues would be recorded as contributions in aid of construction, and would serve as an offset to revenue requirements. The revenue would come only indirectly as a result of the legislation because it would be collected directly as a result of a City Light installation charge requirement imposed through DPPs.

**Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact: N/A**

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2014 Positions	2014 FTE	2015 Positions*	2015 FTE*
<b>TOTAL</b>							

\* 2015 positions and FTE are total 2015 position changes resulting from this legislation, not incremental changes. Therefore, under 2015, please be sure to include any continuing positions from 2014.

Position Notes:

**Do positions sunset in the future? N/A**

**Spending/Cash Flow: N/A**

<b>Fund Name &amp; #</b>	<b>Department</b>	<b>Budget Control Level*</b>	<b>2014 Expenditures</b>	<b>2015 Anticipated Expenditures</b>
<b>TOTAL</b>				

\* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:

**Other Implications:**

- a) **Does the legislation have indirect financial implications, or long-term implications?**  
No.
- b) **What is the financial cost of not implementing the legislation?**  
Lost revenues from new customers, who dislike having their liquidity tied up. Cost of City Light staff time that they have to spend negotiating with large and high-demand customers the size of the transformers needed.
- c) **Does this legislation affect any departments besides the originating department?**  
Since revenues are affected, this would increase General Fund revenue via the City Utility tax. However, the change is likely to be negligible (around \$60,000/year).
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** There are other fee or requirement structures that would meet a similar objective; however, the proposed fee is the one that the Department has determined would be most appropriate in this case.
- e) **Is a public hearing required for this legislation?** No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- g) **Does this legislation affect a piece of property?** No.
- h) **Other Issues:** None.

**List attachments to the fiscal note below:** N/A